

Message Text

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64

ACTION NEA-16

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 SWF-02 AID-20 EB-12 OMB-01 TRSE-00 AGR-20

DRC-01 /148 W

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R 011410Z OCT 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4236

INFO AMEMBASSY ABU DHABI

AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

47 ?-6/AMCONSUL BOMBAY 7210

AMCONSVUL CALCUTTA

AMCONSUL MADRAS

C O N F I D E N T I A L NEW DELHI 13132

DEPARTMENT PASS DOHA

E.O. 11652: GDS

TAGS: PBOR, PINT, IN

SUBJ: INDIAN GOVERNMENT CRACKS DOWN ON SMUGGLING

REF: NEW DELHI A-274;

1. AS WASHINGTON AGENCIES WILL RECALL FROM OUR A-274, SMUGGLING HAS LONG BEEN A SERIOUS PROBLEM FOR INDIA IN TERMS OF LOSS OF FOREIGN EXCHANGE, FRUSTRATION OF SOCIAL POLICY TO DISCOURAGE LUXURY CONSUMPTION, AND CONTRIBUTION TO CORRUPTION OF GOVERNMENT OFFICIALS AND POLITICIANS. AFTER REMAINING ALMOST PASSIVE FOR YEARS, THE GOI HAS NOW STARTED A VIGOROUS EFFORT TO DISRUPT THE MAJOR SMUGGLING ORGANIZATIONS. UNDER THE AUTHORITY OF AN AMENDMENT TO THE MAINTENANCE OF INTERNAL SECURITY ACT PROMULGATED ON SEPTEMBER

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17, THE GOI HAS CARRIED OUT A COORDINATED CAMPAIGN AND HAS ARRESTED

LARGE NUMBERS OF LEADING SMUGGLERS IN BOMBAY AND OTHER CENTERS. IT HAS ANNOUNCED ITS INTENTION TO FOLLOW UP ON THESE ARRESTS BY UNEARTHING AND CONFISCATING THE SMUGGLERS HOARD OF CONTRABAND GOODS WHICH ARE STORED ALL OVER INDIA, AN INVENTORY PRESUMED TO TOTAL UP TO \$200 MILLION.

2. THERE HAVE BEEN IMMEDIATE BENEFITS FROM THE GOVERNMENT'S CAMPAIGN. BY LOCKING UP OVER 100 LEADING SMUGGLERS IN LESS THAN 10 DAYS, THE GOI SHOOK THE SMUGGLING ORGANIZATIONS, CAUSED A SHARP DECLINE IN TRAFFICKING, AND THREW SMUGGLERS STILL AT LARGE INTO A PANIC. ILLEGAL CURRENCY MARKETS BEGAN TO DRY UP, AND THE PRICE OF SILVER, WHICH PLAYS A MAJOR ROLE IN FINANCING THE SMUGGLING TRADE, FELL CONSIDERABLY. ESSENTIAL COMMODITIES FORMERLY ILLEGALLY EXPORTED IN LARGE QUANTITIES TO THE PERSIAN GULF BECAME MORE PLENTIFUL AND LESS EXPENSIVE IN LEGITIMATE MARKETS.

3. THE PURPOSES OF THE GOI IN CARRYING OUT THIS CAMPAIGN ARE MIXED. SOME CRITICS SEE THE ANTI-SMUGGLING DRIVE AND ESPECIALLY ITS TIMING AS LARGELY A PUBLICITY STUNT FOR THE PERSONAL BENEFIT OF LEFTIST (EX-CPI) MINISTER OF STATE FOR FINANCE R.K. GANESH, OR AS A HIGHLY VISIBLE AND POPULAR ATTEMPT BY MRS. GANDHI TO DIVERT ATTENTION FROM INDIA'S FOOD SITUATION AND OTHER MAJOR PROBLEMS. IT IS COMMONLY BELIEVED THAT SMUGGLING HAS BEEN DONE WITH THE CONNIVANCE AND TO THE ENRICHMENT OF SOME LEADING POLITICIANS, INCLUDING CAMPAIGN CONTRIBUTIONS TO THE CONGRESS PARTY. SO FAR, AT LEAST, THE CAMPAIGN HAS NOT PUBLICLY EMBARRASSED ANYONE IN PUBLIC LIFE, AND UNTIL SOME POLITICAL FIGURES ARE BROUGHT TO THE DOCK, THERE WILL BE DOUBT ABOUT HOW SERIOUS THE ANTI-SMUGGLING CAMPAIGN REALLY IS AND HOW LASTING ITS EFFECT WILL BE.

4. WE ARE POUCHING A MORE DETAILED AIRGRAM ON THIS SUBJECT.
SCHNEIDER

NOTE BY OCT: NOT PASSED DOHA.

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